No choice but the High Road? The Revival of Workforce Planning in Public Services

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No Choice but the High Road?
The Revival of Workforce Planning in Public Services

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A number of workforce challenges will coincide in the near future: the ageing population; the pending exit of many retirees; the tightening labour market; increasing skills shortages; and changes to the public services required by an ageing populace. In this climate, employers are required to actively compete and be seen as an employer of choice. Workforce planning has gained increasing attention as the means to manage changes in the supply and demand for labour and to implement the strategies to attract and retain a high quality workforce and manage changes in supply and demand. This paper provides a brief outline of the workforce planning process, and examines its revitalisation in selected Australian public services. It seems that, at least in the public service environment of skilled employment, employers will have little choice but to take the high road in employment conditions and strategies.

Introduction

This conference addresses the question 21st Century Work: High Road or Low Road? I propose that there is currently little choice in certain industries and occupational groups. Changing labour market circumstances may force many organisations onto the high road, as they compete for employees in an ever-tightening labour market.

This paper considers the example of the public sector context. Concerns about the performance of the public service have changed in focus, from the 1980s concerns with the size of the service to the concern in this decade concern with attracting and retaining a high quality workforce. The paper begins with a review of the environmental factors that led to this change in focus, and a brief outline of the concept of workforce planning and its use to achieve this end. Then it considers recent activities in selected Australian public service jurisdictions, drawn from primary documents and an interview. This research is part of a broader study, and the selected cases represent some preliminary findings. The paper concludes that, at least for skilled public sector workers in the near future, it will be an employee’s market. Public services are choosing strategies to attract and retain public service workers, albeit they need to rise to greater levels of sophistication and integration. Further, these issues may rejuvenate organisational interest in human resource (HR) management, and HR professionals may have greater opportunities to link their activities to organisational direction.

Why The Sudden Interest In Workforce Planning In Public Services?

Workforce planning is not a new concept and has been advocated in the strategic human resource literature since at least the early 1990s. However, it was easy to ignore strategic tools when there is no imperative to use them, due to an ample supply of employees. This situation has changed. All organisations, whether public or private sector, will be affected in the near future by a number of coinciding workforce challenges.

The occupational structure of the labour market is evolving, with growth in certain fields (such as professional, intermediate clerical, service and sales jobs). Although the majority of
employees are low-skilled, there has been considerable growth of high-skilled jobs - ‘jobs had become professionalised, reflecting growing sophistication in service delivery’, including registered nurses, accountants, human resource professionals, and library technicians (Cully 2003:7).

Labour markets are faced with skill shortages. That includes genuine skill shortages where all employers are unable to fill vacancies at prevailing conditions; recruitment difficulties where some employers may have difficulty filling vacancies despite an adequate overall supply of employees in the occupation; and skills gaps where those currently in the occupation do not have adequate skills or experience. Skills shortages occur for a range of reasons including ageing workforces, poor image meaning fewer job seekers, new industries, attraction and retention problems due to poor salaries and/or working conditions, poor career prospects, technology changes, and declining investment in training due to casualisation or work intensification. The time lag between identifying the skills shortage and addressing skill formation results in a long delay before supply adjusts to meet demand. Long term consequences may include an adaptation to a lower skill level which can have adverse consequences in industries such as health and education (Australian Senate 2003; DEST 2002; Green, Machin and Wilkinson 1998).

Another challenge for labour markets is the ageing population. Longevity continues to improve and fertility rates decline (OECD 2005), and organisations are faced with the pending exit of large portions of the workforce in the next five to ten years. There is well-documented information about the ‘baby boomer’ generation, and workers aged over 45 years are the fastest growing sector of the workforce (ACIRRT 2005). This contributes to a tightening labour market. The ageing population brings additional challenges for public services. There is growing demand for those services required by older citizens, particularly in community and social services. This requires expansion of public service workforces in many areas.

These challenges are in addition to other changes in the public sector. In the 1970s and 1980s, public service workforces in Australia were under threat as a result of economic pressures and ideological pressures regarding the size and role of government (Colley 2005a). The tightening labour market has refocused public services from how to get rid of employees to how to attract and retain good employees.

Another factor of that 1980s public sector reform agenda – the devolution of many accountabilities to agencies – provides an additional complication in the tightening labour market. Workforce planning was traditionally carried out by central agencies such as Public Service Boards, which controlled all aspects of the recruitment and development of public services. The reforms led to most central personnel agencies changing from the traditional policing role to more hands-off supportive roles, with varying levels of monitoring or compliance requirements (Hede 1993). In this spirit, central personnel institutions gave primary responsibility for workforce management to agencies. This was effective when labour markets were relatively stable. However, public service workforce profiles are particularly susceptible to the challenges outlined above, as they generally have longer-term and older workforces, together with a predominance of professional and semi-professional employees (Colley 2005b). A feature of political environments is that governments can devolve responsibility for activities to agencies, but it is more difficult to remove political accountability – a crisis in the workforce will always reflect on the politicians and government as a whole. This has focused central public sector employment agencies on greater involvement in monitoring labour markets, and ensuring agencies are actively addressing challenges and risks. One mechanism being used by public services is to revitalise
workforce planning to enhance the employment framework in order to compete with the private sector as employers of choice.

**What is Workforce Planning?**

Workforce planning is not a new concept and has been advocated in the strategic human resource literature since at least the early 1990s. When the labour market was more stable, there were few imperatives for active planning and attraction of employees. However, now it is seen as a mechanism for staying abreast of potential or emerging skills shortages and monitoring demographic trends and risks.

There are a variety of definitions of workforce planning, which affect its scope and the locus of its implementation. The most common definition is having the right people with the right skills doing the right jobs at the right time. More sophisticated definitions are action oriented, making clearer links between organisational goals and the alignment of human resource capability, and the resulting long-term workforce strategies (Mihm 2003).

The Australian Public Service defines workforce planning as:

> a continuous process of shaping the workforce to ensure that it is capable of delivering organisational objectives now and in the future. This includes deciding how work is done (job analysis and job design) as well as demand/supply forecasting, gap analysis, succession planning, etc (ANAO 2002).

Simon (2003:53) provides a slightly different definition, showing cognisance of the constraints of a public sector environment:

> the fundamental purpose of any credible and useful workforce plan is to enable the agency’s workforce to deliver on agency outputs and outcomes, in conjunction with other organisational resources and assets, in ways which are appropriate to legislative frameworks and public accountabilities.

Barrett (2001) takes yet another approach, acknowledging people as an important tangible asset, but claiming that information is the most important asset for an organisation. In this context, workforce planning becomes just one part of the information system, important to business continuity and uninterrupted access to the resources needed to run an agency.

Perusal of the literature and several models of workforce planning indicates general consensus on the basic steps:

1) **Analysing.** The analysing phase involves analysis of contextual factors, including the external business environment, the organisational direction, as well as understanding the internal and external labour markets;

2) **Forecasting.** The forecasting phase involves assumptions and scenario building around future possibilities, determining the skills and competencies needed, and gauging supply and demand issues accordingly;

3) **Planning.** The planning stage includes planning of strategies to achieve the desired changes in the workforce profile. These include human resource issues (such as recruitment and selection, organisational climate, and working conditions), staff development issues (such as performance management, promotion, transfer, training, and succession planning), financial and remuneration issues (such as agreements, incentives, remuneration and budgets) and logistical issues (such as fleet, technology requirements, accommodation etc);
4) Implementing. This includes the implementation of strategic, process and operational changes targeted at addressing these gaps and issues; and

5) Evaluating the success of the strategies in contributing to the forecast direction.

(refer to examples ANAO 2002; DIRQ 2001; DPCWA 2004; Simon 2003; Mihm 2003)

Workforce planners provide normative suggestions for its operation. They criticise those who view workforce planning as an outcome, rather than a process for managing the workforce now and in the future. They recommend that evaluation focus on the results and difference it makes rather than the process or model used. It should go beyond planning within budgets for day to day operations, and take a longer term view opening up possibilities for greater change within and without the current working environment. Good workforce planning is not clouded by short term events, but rather challenges current assumptions and integrate human resources with broader business planning. It will be most effective when top management and stakeholders are involved in both the development and implementation of the plan. If it lacks the organisational links, it is in danger of becoming a HR unit activity (Bryce 2005; DPCWA 2004; Mihm 2003, Simon 2003).

Recent Activity in Workforce Planning in Selected Australian Public Services

This section provides a brief analysis of workforce planning activities in selected jurisdictions. However, workforce planning is being revitalised in most jurisdictions. In September 2005, most states participated in a one-day workshop to ascertain the types of activities being undertaken across Australia (Bryce).

Workforce Planning in the Australian Public Service (APS)

The APS has undertaken a range of activities this decade to re-emphasise workforce planning. Several documents have been produced as guidelines to better workforce planning and people management (such as the Better Practice in Workforce Planning guide produced by the Australian National Audit Office [ANAO]). Further, the ANAO has conducted an audit of workforce planning in one department, reporting in June 2002. Simon notes that there are few things like the prospect of an audit for influencing other agencies to pay attention to workforce planning. However, he also noted that these agencies recognise it as a valuable activity for aligning the workforce and desired business outcomes (Simon 2003:53). Other recent activities to raise the profile of workforce planning include a Workforce Planning Summit held with agencies, and discussions with the Australian National University (in 2004-2005) about developing better models for workforce planning.

In 2002, as well as the departmental audit, the ANAO undertook a broader review to examine the management of people across 14 agencies. There were a number of key findings. First, the lack of integration between business and people planning and the absence of a strategic approach limited the effectiveness of HR resources. The study found little evidence of effective workforce planning processes, with over half the agencies having no workforce planning system. Few agencies were using workforce planning to effectively manage challenges such as the ageing of the managerial and professional workforce, the long tenure of the workforce, and the high turnover particularly of temporary employees. There was also little understanding of the workforce’s skill base with a view to developing it – the focus was on more immediate concerns (ANAO 2002). The wording of the report indicated some level of frustration by the ANAO that, despite the resource documents and audits, agencies were still not taking workforce planning seriously.
Second, the lack of effective business/people planning at a strategic level led to people management challenges ‘on the ground’ - ill-designed, inconsistent and irrelevant approaches and inadequate review of the effectiveness of those approaches. This in turn created challenges for line managers in the attraction, retention and performance management of staff. Third, while the quality and effectiveness of policies was generally good, there was a lack of HR integration, particularly in workforce planning, which had weak linkage to career management, succession planning, recruitment and training and development initiatives. HR activities and policies seemed to operate in silos. Ironically, managers rated workforce planning as one of the most critical activities for business success, but rated it as one of the lowest performing areas with the largest quantum for improvement (ANAO 2002).

One year later, in 2003, the Australian Public Service Commission (APSC 2003) noted that:

- a systematic approach to workforce planning continues to be a challenge for many APS agencies. Few can successfully identify current and future skill needs, develop and retain the required skills and knowledge to deliver on their outcomes, and develop strategies to meet those needs over time. Many agencies have found it necessary to make significant investments in upgrading their human resource (HR) systems in order to access reliable staffing data to undertake demand and demographic analysis.

The need for workforce planning was re-emphasised by a Management Advisory Committee publication in 2003, entitled Organisational Renewal (MAC 2003).

In 2005, the Australian Public Service, like other jurisdictions, was again emphasising that the spare capacity in the labour market was becoming limited, and that ageing and skill shortages were key business risks. A further audit showed that there had been little improvement since 2002. An initial survey indicated that 28 per cent of agencies had established a workforce planning process, while others had commenced or were intending to commence, albeit follow up discussions found that the survey was perhaps more positive than the actual evidence. Impediments included lack of understanding of the process, difficulty in raising awareness and acceptance, lack of resources, inability to collect data and the challenge of integrating planning into the business framework. There was no correlation between the risk factors faced and the progress made to date. The second finding was that it was ‘rare’ for agencies to have undertaken an analysis of supply and demand, and consideration of external labour market information was ‘sporadic and ad hoc’. There was little attempt to align human capital and organisational direction, and workforce planning often did not extend beyond the human resource management sphere. Agencies had a reasonable grasp of demographic profiles and characteristics, but less so of the competencies of the workforce. While there was little strategic or integrated approach, most agencies had implemented some of the recommended strategies from previous reports, although the link between analysis and strategy was not yet well developed. This could mean that generic strategies did not address particular risks (ANAO 2005).

In summary, the APS is actively pursuing workforce planning as the solution to emerging labour market issues.

Workforce Planning in the NSW Public Service
The NSW Public Service undertook a survey of agencies in 2004 to ascertain the extent of workforce planning. It considered that the high response rate to the survey showed agencies were:

- concerned about the need for active planning to ensure that we are able to rise to the challenge of a labour market very different from the past (NSWPD 2005).
The main reasons for the survey were to identify the process being used and identify particular workforce issues such as skills gaps and labour shortages (NSWPD 2005:9). It identified a number of main imperatives for workforce planning. The first was the ageing of the workforce. Another was the existing and anticipated occupational shortages and skill gaps, which are partly related to workforce ageing, but also to changes in technology, lack of investment in training, and the need to redesign jobs to meet changing community expectations. A number of other influences were also affecting the demand/supply imbalance, including the status and remuneration of certain occupations. It considered that these factors were particularly critical, given that 46 per cent of public sector employees are professional (with 16 per cent of these being teachers), 15 per cent are associate professionals, and 5 per cent are tradespersons (NSWPD 2005:12,24,25).

The survey ascertained that many agencies, covering around 94 per cent of the NSW public service, were involved in workforce planning activities: 16 agencies stated that they already had a plan in place, and another 30 agencies said they were underway in the development of a plan. The Report did suggest a cautious approach to the claims of those who are underway, who may not want to indicate that they were taking no action (NSWPD 2005:65).

The content of plans was of interest. Most plans tended not to cover the whole workforce of the agency, but rather focus on areas of high need, especially service delivery staff with occupational shortages (NSWPD 2005:66). Many of the plans were not integrated with other planning, but rather stood alone. Most plans were based on workforce profile data, and few were informed by labour market trends or projections (NSWPD 2005:68).

The NSW survey indicated a number of constraints to workforce planning: 52 agencies noted the impact of current service demands; 42 said resourcing was a problem where even those allocated to planning were sidetracked on more immediate issues, which affected staff availability and capacity to think beyond immediate needs; 31 agencies said they had inadequate data and information; and a few agencies claimed that they had limited skills to undertake a workforce planning project. Almost half of the agencies representing 82% of sector noted the difficulties of the lead time to address labour shortages (NSWPD 2005:10, 68). More than half of agencies said ‘restructuring and amalgamations impacted on their capacity to plan effectively’ (NSWPD 2005:10).

As a result of the survey, the NSW Government will in future require continued reporting on workforce planning, integrated into its other forms of performance reporting (NSWPD 2005).

Workforce Planning in the Queensland Public Service

Like other jurisdictions, Queensland central personnel institutions gave primary responsibility for workforce planning to individual agencies. There has generally been no coordinated central activity on workforce planning, but rather a number of related ad hoc activities. In the late 1990s, a workforce planning network was established. This enabled interested agencies to share knowledge and best practice ideas, although meetings were somewhat ad hoc. This group wound down once central coordination ceased (Bryce 2005). In 2001, a Workforce Planning Toolkit was produced and is still available on the department’s website (DIRQ 2001). A certified agreement initiative on employment security led to a coordinated review of permanent, temporary and casual employment categories through a workforce planning-type model (Bryce 2005). A number of papers have been produced on demographics but these may have been driven by metrics and the availability of data rather than a policy or solution-oriented approach. This information is often used to boost the knowledge of HR units in agencies, and get the issues on their agenda.
Bryce (2005) identified a number of challenges for workforce planning. A primary problem was the understanding of what workforce planning meant. The initial models and approaches may have seemed daunting, with extensive modelling and forecasting for little apparent reason – agencies did not know where to start, and often didn’t see the relationship to the other activities they were already undertaking. A number of agencies have produced a workforce plan, albeit this may have been the outcome rather than part of an ongoing process to review their workforce profile and strategies. To this day, workforce planning appears to be an activity of HR units rather than being genuinely integrated into business planning or carried out in an explicit fashion by line managers.

Another challenge has been the absence of reliable central data. The central collection of data was abandoned with the abolition of the Public Service Board in the late 1980s. By the mid 1990s, the downside of this devolution was realised and data collection recommenced, and it was not until this decade that reliable data was available (Colley 2005a). Yet another challenge is the impact of restructuring and machinery of government changes. Those agencies with the greatest success at workforce planning tend to be those with the most stability (i.e. the fewest changes of agency structure, function or minister) (Bryce 2005).

As the risk factors of tightening labour markets and ageing workforces worsen, Queensland is recognising the need for more central involvement and leadership on workforce planning issues. As mentioned previously, a number of demographic and workforce analysis discussion papers have been produced. They confirm that Queensland shares many of the challenges faced by other jurisdictions. Queensland’s population is ageing. It is fortunate that population growth through interstate migration will not worsen the ageing problem, with more than 68 per cent of migrants being of working age and more than 25 per cent being younger than 15 years (Jackson 2005). The number of labour market exits (aged 55-64 years) is rapidly approaching entrants (aged 15-24 years), and will exceed them by 2020 (ABS in Jackson 2005). Queensland has experienced strong employment growth, and created over half of the new full-time jobs across Australia in 2004. This has resulted in a rapid decline in Queensland’s unemployment rate, and the ‘tightest labour market for 30 years’.

Additionally, the labour market has changed due to information and technology revolutions, which require different skills now and in the future. There has been greater than average growth in professional and associate professional jobs, which require the highest skill levels (DET 2005). Similar to other jurisdictions, skills shortages include many of the occupations employed by public services, such engineers, nurses, other health specialists, secondary teachers, and information and communications technology workers (DEWR 2004). These general trends are reflected in the Queensland Public Service workforce (DIRQ 2005).

A more comprehensive workforce analysis is being undertaken as part of the Quality Public Service Workplaces framework, currently being developed, and facilitated by improving data systems. The framework will include performance reporting on a range of key human resource indicators, the first time for such reporting since 1988. The analysis of population, skills shortages, and demographic issues, outlined above, is part of this project. Queensland intends to conduct a similar survey to that conducted in NSW, seeking information from agencies on both their workforce issues and their workforce planning activities (Bryce 2005). Queensland recognises that, even though the population increase makes shortages less critical than in some other states, there is a need to do more than just fill positions. The suitability and availability of potential recruits is subject to a range of variables: whether QPS is seen as an employer of choice; whether recruits have appropriate educational and skill requirements; government policy on service delivery obligations; and economic conditions (DIRQ 2004).
Workforce Planning in the Western Australian Public Service

In 2000, the Western Australian Public Service demonstrated a growing interest in workforce planning. An extensive guide was produced, to ensure a ‘common understanding of the principles and practices’, and provide a process that could be adapted in agencies. A series of discussion papers was planned, and agencies invited to share ideas through an ‘egroup’ network of workforce planners. These activities were in recognition of the tightening labour market, and the need to position itself as an employer of choice. This required active planning of the workforce (DPCWA (2000).

In 2004, DPCWA produced its fifth discussion paper – *A practical guide to Workforce Forecasting.* As the title suggests, it was designed to assist agencies to undertake the forecasting and analysis phase of workforce planning, by providing some sample scenarios. This guide also highlighted the imperatives for planning – the ageing of the population and a general tightening of the labour market due to decreasing participation in the workforce, plus increased demand for public services. DPCWA identified a primary reason for poor workforce planning efforts as lack of commitment. It was seen ‘as a luxury rather than as a necessity’ while baby boomers were providing an ample supply of labour and agencies could get away with focusing on staffing today’s operations rather than speculating about the future. A second reason was the ‘perceived complexity and resourcing implications’, with much of the resourcing being superficial guides or occasional case studies, with little practical guidance (DPCWA 2004).

The 2004 guide was intended to remedy this by providing such a practical guide. It provided scenario planning through five different hypothetical visions of future skills requirements. It also provided practical guidelines on forecasting the workforce needed for these scenarios (DPCWA 2004).

**Conclusion**

The last two decades have seen labour markets favourable to employers, but the current environment is favourable to employees. Workforces are ageing, and organisations are increasingly faced with the problem that large portions of the workforce may be exiting in the next five to ten years. This is accompanied by skills shortages in many professions that affect the public service. There are challenges for increasing participation rates of both the existing workforce and those not yet in work, pending the growth in population and available labour. In this climate, employers need to compete for labour, particularly skilled labour, and be seen as an employer of choice.

In theory, workforce planning is a tool that achieves this end, as it explores the social, economic, political and labour market factors of the future. It incorporates all aspects of workforce management, from monitoring the labour market, to recruiting the right people, to having the right policies and practices to ensure that they perform well and stay with the organisation. In recent decades, when organisations had no immediate labour market imperative, there was little incentive to tackle such a long-term convoluted process – day to day decisions sufficed. However, public services are now more conscious of the labour market shortages, and passive recruitment of employees is no longer effective. They must actively target pools of recruits and market themselves as employers of choice.

This paper has canvassed the workforce planning activities of a number of public service jurisdictions, and found several common themes. First, the selected jurisdictions were all aware, at least at the central agency level, of the current and potential workforce challenges and were actively trying to address being an employer of choice in a tightening labour market.
Second, all were endeavouring to utilise workforce planning as a mechanism for addressing these challenges. Another common issue seemed to be the locus of planning. Central agencies were actively promoting the activities but, in the current public sector environment, agencies are largely responsible for their own activities within a broad central framework. Most jurisdictions found that agencies had been slow to engage in workforce planning, and were not addressing the challenges in an active and integrated manner. Little external data was being factored into workforce planning, despite the evident external threats to the labour market. The agency workforce plans that did exist often focused only on one area rather than the whole workforce, tending to suggest crisis management rather than a proactive approach. For that reason, central agencies have also begun providing some central information on general trends, and encouraging agencies to pick up the issue.

The analysis identified some shortcomings, common to all states. Perhaps the most critical, in light of the forthcoming skills challenges, is the type of data currently available to inform workforce planning. It is largely a metrics exercise, with quantitative information about employees (e.g. demographics and characteristics). There is little or no information about the skills and qualifications of employees, and future planning needs to be around these areas. Another critical issue is that workforce planning tends to rarely go beyond the HR sphere, being a HR unit activity rather than a business activity. This provides opportunities for HR to raise its profile, from writing HR policies in isolation, to being an essential element in staffing future business operations. Many agencies also noted that workforce planning does not seem to be receiving priority, with resources being diverted to more immediate issues.

Regardless of the industrial relations reforms occurring in the broader environment, public services will have little option but to choose the high road in most situations. This paper demonstrates that the primary concern for those public services examined is not how to reduce wages and conditions, but rather how to attract and retain staff as the labour market tightens. John Howard’s new flexibilities may work in favour of employees, with employers having to bargain upwards rather than downwards on existing conditions. Unfortunately, the same is not true for less skilled workers in the private sector, unless there is far greater labour market tightening.

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